



Subject Line: Stock Options & Carried Interest, H1-B Reforms & Immigration Panel

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By [Justin Field](#), [Jeff Farrah](#) and [Charlotte Savercool](#)

The 411 on the 202

Tax Things First

That's a wrap on week two of tax deliberations, which have been moving rapidly. In the House, the bill is through the committee and passed the floor. In the Senate, the bill is through the committee and scheduled for floor consideration the week after Thanksgiving. Should they hold to that schedule, Republicans would then have most of December to conference the two competing bills and bring them up for votes on final passage.

If you haven't been following our updates throughout the week, here's a rundown of what's happened the last five days:

- The Senate Finance Committee released its bill November 9th which was considered by the committee all this week, passing last night on a party-line vote.
- Similar to the House's original bill, the Senate Mark contained a revenue-offset proposal that would tax stock options at vesting, rather than at exercise. We once again raised the alarm on the harmful impact this provision would have on startups

and their employees. The provision was eliminated due to the leadership of Chairman Orrin Hatch (R-UT) and Senator Rob Portman (R-OH) and the concerns raised by many of you. Standing up for startups during the markup, Senator Portman said, "[These types of savings vehicles are critical to helping small employers attract new talent and for giving employees an ownership stake in the company they work for every day.](#)" In more good news, the modified Senate bill included a provision to allow a 5-year deferral for employees of private companies who are forced to exercise their options. **With this modified bill, the Senate has done a 180 degree turn on stock options, and is now where we have worked to get the House bill: a positive for stock options and employee ownership.**

To read more about our efforts on achieving these stock option victories, check out media coverage from: [Axios](#), [Reuters](#), [Recode](#), [The Mercury News](#), and [GeekWire](#).

- Last night, the Senate Finance Committee included a provision that would tax carried interest arising from assets held shorter than three years as ordinary income (as short-term capital gains). **This means that in both the House and Senate bills now, long-term capital gains rates will still apply to assets held longer than three years.** We are pleased that the Finance Committee has heard our perspective that carried interest based upon holding periods is a much more sensible way to view the issue. With the two chambers aligned on the issue, the next step will be on the Senate floor when the Senate reconvenes after Thanksgiving, where we expect more amendments related to carried interest and are working to shore up support.
- The House of Representatives voted yesterday to pass their version of a tax bill. Special thanks should be given to Majority Leader McCarthy (R-CA), Rep. McMorris-Rodgers (R-WA), and Rep. Paulsen (R-MN) for their diligence in fighting for our cause to drop the original stock options taxation provision, which had been in the House bill but was dropped during committee consideration. Their diligent work gave us the momentum we needed to achieve success in the Senate as well. The committee also added NVCA-supported language from Rep. Paulsen to allow employees at private companies an additional 5 years to pay taxes on exercised stock options.

- In other good news, the Qualified Small Business Stock rules and R&D tax credit offset of payroll taxes for startups are preserved in both bills.

Congress is heading home for Thanksgiving week, but work will resume in the Senate when members return November 27. We expect the Senate to bring their bill to the floor for deliberation among the chamber—where more fights will be had. The Senate floor process will be open and could create challenges for carried interest. So we are working hard on making sure there are 50 votes to defend the compromise. **As we've said before, now is the time to reach out if you have relationships in the Senate. We are available to help prep anybody who is willing with talking points and background information.**

H-1B Reforms

This week, the House Judiciary Committee considered a bill that proposes several [reforms to the H-1B visa program](#). Authored by Rep. Darrell Issa (R-CA), the legislation would increase the threshold to define an “H-1B dependent” company and establish other requirements for H-1B employers. This is important because it couples with the administration’s approach towards a ‘merit-based’ immigration system and demonstrates there is bipartisan interest to address current challenges within the H-1B program. We’re tracking this and other bills closely.

Speaking of immigration policy: Join NVCA for a [panel discussion and breakfast event](#) on December 5 at 9AM PT on “Immigrant Entrepreneurship in the Trump Era.” Hosted at Kleiner Perkins’ San Francisco office, the panel will be moderated by **Trisha Thadani** of the San Francisco Chronicle. On the panel will be: **Jeff Farrah**, VP of Government Affairs at NVCA; **Mamoon Hamid**, General Partner at KPCB; **Nicky Goulimis**, Co-Founder and COO at Nova Credit; and **Monisha Merchant**, board member of the Center for American Entrepreneurship. The panel will examine how immigration policy affects startups and an update on NVCA’s [lawsuit defending the International Entrepreneur Rule](#).

Oracle Backs Legislation to Scrutinize Foreign Investment: Oracle [announced support](#) for recently introduced legislation (discussed in last week’s edition) that would give more authority to the Committee on Foreign Investment in the United States to closely examine foreign investment in critical technologies. The bill has the potential to impact the VC world

as U.S. startups look to foreign investors for capital in some instances. **We've been meeting with the bill's author to share the venture perspective and eliminate any unintended consequences.**

Capital Recap

New HHS Secretary

President Trump announced Alex Azar as his pick for Secretary of Department of Health and Human Services (HHS). Azar, who has previous experience at Eli Lilly & Co. and at HHS, has been nominated to fill the role that's been vacant since former HHS Secretary Tom Price stepped down in September. **Azar will be a key player on policies impacting healthcare VCs. On drug pricing, [one commentator has stated](#) there is “no indication in Azar's words or deeds that he's likely to pursue large-scale pricing reforms.”**

Trump and Tech: Learn more about the man trying to play peacemaker between [President Trump and the Tech Industry](#).

Barclays Embracing Fintech? London fintech startup Flux [has partnered with Barclays in the U.K.](#) to trial its itemized receipt technology with 10,000 of the bank's customers.

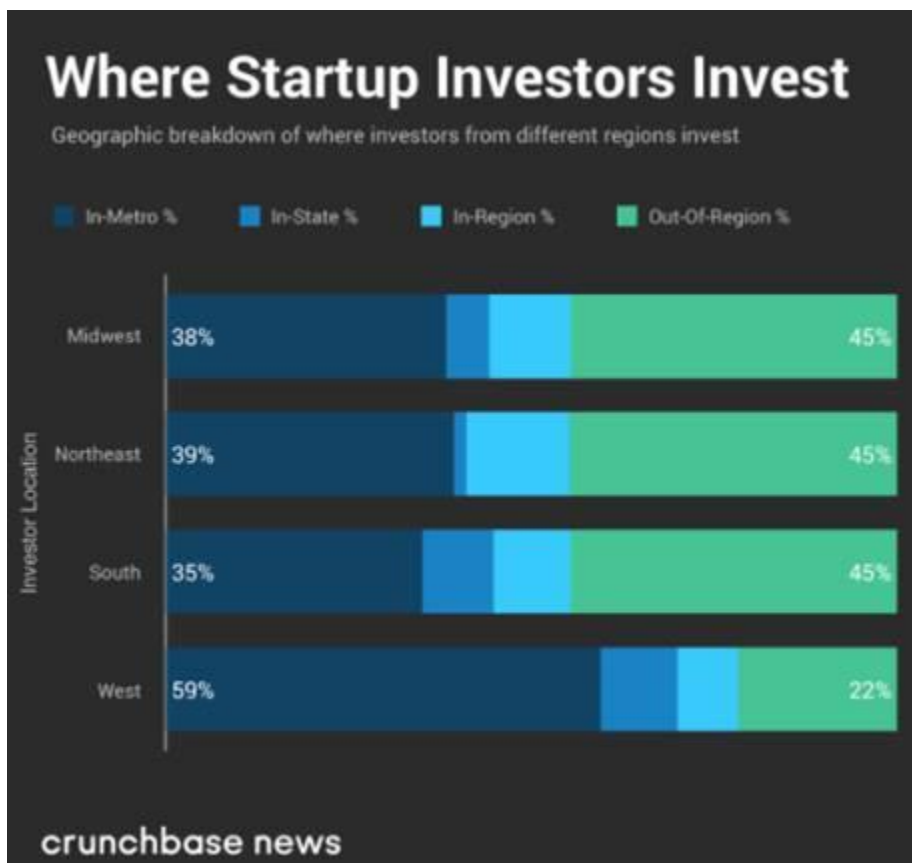
More Hill Goings-on:

- After a hearing during in which two female lawmakers discussed sexual misconduct in Congress, [bipartisan reforms](#) to the harassment complaint process in the House and Senate have been proposed, as well as adoption of new [mandatory training](#) for members and staff.
- Attorney General Jeff Sessions [appeared before Congress](#) as part of the ongoing investigation of contact between the Trump campaign personnel and Russia.
- The Republican National Committee has [pulled out of fundraising](#) for Alabama Senate candidate Roy Moore, following multiple accusations of sexual misconduct.

- The House passed [the conference agreement on the National Defense Authorization Act](#), providing \$634 billion for the military, and a bill to renew [National Flood Insurance Program](#).

Factoid of the Week

An analysis of Crunchbase data that assessed more than 82,000 investor-company relationships formed between 2012 and November 1, 2017 found that 45% of investors based in the Midwest, Northeast, and South invest in companies outside of their own regions, while only 22% of investors in the West invest in startups in other regions of the country. (Source: [Hometown Heroes: Where and Why Venture Capitalists Invest Close to Home](#))



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